

San Joaquin County Clinics (SJCC) Finance Committee
Minutes of June 20, 2017 Meeting

San Joaquin General Hospital (SJGH)
Health Care Services (HCS) Conference Room
French Camp, CA

Present

Rod Place, Chair (By Phone)
David Jomaoas, SJCC Executive Director
Ron Kreutner, SJCC CFO
Margaret Szczepaniak, HCS Assistant Director
Izidi Alcorn-Starks, SJGH Deputy Finance Director
Diana Surber, SJCC/ACS (WIPFLI/HFS)
Vanessa Anderson, HCS Management Analyst

The meeting was called to order at 5:10 p.m.

May Financials

Diana Surber presented the following March financials report:

Summary

May's patient visits of 9,098 exceeded budget by 13.7%. Gross Patient Revenue of \$1.4 million was greater than budget by \$48,000 or 3.5%. Total Patient Revenue (Net Revenue & Physician Capitation) of \$1.2 million was less than budget by \$774,000 or 40.2%, primarily due to the unfavorable variance in contractual allowances of \$813,000, which is discussed below. Capitation Revenue of \$484,000 is on target with budget varying from budget by only \$9,700 (2.0%). Total Expenses of \$2.3 million exceeded budget by \$121,000 (5.6%). The resulting Net Loss of \$1,127,000 exceeded the budgeted income by \$895,000 bringing the year to date Net Loss to \$7.2 million, exceeding the budgeted loss by \$6.8 million. Explanations of major variances are explained below.

Revenue

As mentioned above, both visits and Gross Patient Revenue exceeded budget. Net Patient Revenue of \$1.2 million was less than budget by \$774,000 due to contractual allowances and other deductions from revenue exceeding budget by \$813,000. This unfavorable variance continues due to the timing of the calculation of the budget, which was done in February 2016, prior to the completion of the PPS rate setting cost reports, The PPS rate was impacted negatively and significantly by the productivity standard not reached by most clinics, which resulted in the reduction of the PPS rate below cost.

Through April, revenue was accrued at 90% of the PPS rates filed with the state; however, in May the net revenue was reduced to 80% of the PPS rate as filed with the state to allow for the potential impact of recent developments in the state's audit procedures. In addition, the Medicare net revenue rate was reduced based on an analysis of year-to-date payments per visit. These changes resulted in a decrease in net revenue of \$226,000 for the month of May. There will be an adjustment in June to apply the changes to July through April revenues. Also in May, the first manual write-offs were done for Bad Debt, going back to July 2014 dates of service (\$274,000) and there were significant write-offs for Locums not covering for Doctor (\$378,000).

Capitation revenue is received monthly by SJCC for the risk of providing primary care to the Health Plan of San Joaquin members. In May, SJCC received \$484,000, which is minimally less than budget by 2.0%.

Expenses

Salaries & Benefits in total of \$867,000 was less than budget by \$354,000 (29.0%). Salaries of \$567,000 were better than budget by \$300,000 or 34.6%. Benefits of \$300,000 were also favorable to budget by \$54,000 or 15.3%. This was primarily due to the provider vacancies which exist in the following clinics below.

Vacancies exist in the following Clinics which are currently being filled by Locums: Childrens' Health Service = 2.0 FTE, Family Practice Clinic California Street = 1.0 FTE, Primary Medicine Clinic = 3.0 FTE, Healthy Beginnings California St. = 1.0 FTC, Healthy Beginning French Camp = 1.0 FTE and SJCC Hazelton = 1.0 FTE, for a total of 9.0 Locum FTE's. Use of Locums in May was reduced by 2.0 FTE's from the prior month.

Professional Fees/Registry of \$422,000 exceeded budget by \$412,000 primarily due to provider vacancies in all of the clinics except Family Medicine. The 9.0 FTC locums used in the month of May accounted for \$285,000 of the \$422,000 negative variance. The total Locum cost was incurred for the following: Children Health Services \$50,000, Family Practice California Street Clinic \$29,000, Primary Medicine Clinic \$67,000, Healthy Beginnings California Street \$49,000 Healthy Beginnings French Camp \$64,000 and SJCC Hazelton \$25,000. The remaining balance of \$137,000 variance was a result of the newly engaged Interim CFO and Revenue Cycle Consulting Services for services rendered February - May.

Supplies of \$99,000 exceeded budget by \$15,000 (17.4%). This was primarily due to pharmaceutical expense utilized during the month in the clinics. FMC, FPCC, HB-CA, HB-FC and SJCC-Hazelton, in total, exceeded budget by \$26,000. This was offset by CHS and 1³1V1C by a favorable variance of \$11,000.

Purchased Services of \$340,000 exceeded budget by \$73,000 (27.3%). eCW Contract Maintenance was \$52,000 unfavorable in May (unexpected invoices —(1) February invoice of \$21,500 for CCMR/eEHX/eHub/Enterprise Patient Portal and (2) March & April training of \$28,000 for on-site clinical eCW System updates/issues. El Concilio was \$19,000 unfavorable in May due to March / April charges booked in May and only April accrued for last month.

Depreciation of \$12,400 exceeded budget by \$3,400 (37.4%). This is a result of an audit of fixed assets that was performed in March by the accounting department that resulted in a true up of properly calculating depreciation expense. This variance will continue through the fiscal year end.

Other Expense of \$7,300 was less than budget by \$8,600 (54.1%) primarily due to outside training and travel not utilized during the year as budgeted.

Accounts Receivable

May's Gross Accounts Receivables (AR) of \$2.0 million continues to decline due to billing and collection efforts, down from April's AR of \$2.6 million. Average days of revenue in AR is at 41.5, which is down from 54.8 in April and down from 60.9 in March. WRAP accounts receivable is at \$1.7 million.

Izidi Alcorn-Starks reported that May was the best cash receipts months for the entire fiscal year. Outstanding debt was reduced by \$600,000. 4,078 accounts have been sent to Revenue and Recovery for collections.

David Jomaoas reported on the locums situation as follows:

By the end of June, the total amount of locums being used will be down to 5.3. One locum is being hired as a Pediatrician and will start on July 10. A Nurse Practitioner will also be starting on July 10. This will reduce the amount of locums by two in that clinic. There will remain 0.5 locum in the OB clinic. Hiring of a nurse Practitioner in Pediatrics is being finalized. Several other positions are being recruited for. There will be at least three new staff hired in Primary Medicine.

There were a total of 791 unlocked claims in May. Most of these were in the Family Medicine clinic. In the new Public Health clinic, many of the nursing visits remained unlocked. The staff at that clinic will be trained.

The new contract with El Concilio will be effective on July 1. There will be a reduction in some transportation services, which will result in less FQHC costs.

HRSA issued the recertification. There were four corrective measures noted. Two of the measures are in regards to finances. All measures will be corrected.

The meeting was adjourned at 6:43 p.m.